

REVISED FISCAL NOTE

TO: Chief Clerk of the Senate
Chief Clerk of the House

FROM: James A. Davenport, Executive Director

DATE: May 5, 1995

SUBJECT: **REVISED SB 688 - HB 792**

On March 23, we issued a fiscal note on this bill which indicated that:

The fiscal impact from enactment of this bill is estimated to be an increase in state expenditures to establish and continue the operations of such board; however, the amount of increase in estimated to be not significant.

The fiscal impact from enactment of this bill, based upon additional information furnished by the Bureau of TennCare, is estimated to be an increase in state expenditures to the TennCare program. The TennCare Drug Utilization Review Board, established by this bill, would have independent oversight of requirements for drug formularies established by managed care organizations under contract with TennCare.

Managed Care Organizations will incur an increase in expenditures as the result of losing control over the pharmacy portion of the program. Such increases would result in higher capitation rates to insure compliance with formulary policy set by the board. The amount of increase would depend upon the extent that the MCO's were unable to obtain discounts and use lower price generic drugs. The amount cannot be reasonably determined but

can be estimated to exceed \$1,000,000. The Bureau of TennCare has estimated that Managed Care Organizations will incur additional drug costs in excess of \$2,400,000 a year for each one percent increase in drug costs.

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in cursive script, reading "James A. Davenport".

James A. Davenport, Executive

Director